



Department of Justice

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FORMER MICHIGAN SCHOOL OFFICIAL AND WIFE ARRESTED FOR ROLE IN \$7.3 MILLION FRAUD SCHEME

WASHINGTON — A former Michigan school official and his wife were arrested today for their alleged role in a fraudulent scheme to obtain almost \$7.3 million from Ecorse public schools and the federal E-Rate program, the Department of Justice announced. A federal grand jury in Detroit returned an indictment yesterday against Douglas A. Benit and Mary Ann Elam Benit, which was unsealed today upon their arrests.

The nine-count indictment charges that Benit, a former Assistant Superintendent at Ecorse Public Schools, together with his wife, used Benit's official position to steer contracts at Ecorse Public Schools to Coral Technology Inc. (Coral), an Ohio corporation under Benit's control. The Department alleges that some of the contracts were awarded at inflated prices.

"The Antitrust Division will continue to vigorously pursue those who cheat the competitive process and who violate the public's trust such as by stealing from federal programs and taking advantage of lending institutions," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division.

The indictment charges both Benits and Coral with one count of conspiring to commit federal program fraud and mail and wire fraud from March 16, 1998 to Oct. 7, 2003 in relation to school contracts steered to Coral and one count of mail fraud in relation to a Coral application for an E-Rate funded project in the Ecorse public schools.

Douglas Benit is charged with two counts of federal program fraud relating to school purchases of vocational labs and payments required under the federal E-Rate program. Douglas Benit is also charged with one count of mail fraud in relation to a September to November 2005 scheme to defraud First One Lending Corporation, based in California, and New Century Mortgage Company in obtaining a \$893,750 mortgage. Douglas Benit and Coral are charged with two counts of wire fraud in relation to wire transmissions made in 2001 and 2002 to further the scheme to defraud the Ecorse public schools and the E-Rate program.

Benit and his wife are charged with bank fraud in relation to a December 2002 to April 2003 scheme to defraud TCF National Bank, based in Minnesota, in causing the bank to issue Douglas Benit a \$200,000 line of credit.

The indictment charges both Benits, Coral and another company under their control, School Management Services Inc., a Michigan corporation, with conspiring to launder the fraudulently obtained money from Aug. 12, 1999 to Oct. 21, 2003. The indictment alleges that one purpose of the money laundering conspiracy was to purchase and make improvements to Douglas Benit's residence in Superior Township, Mich.

Including today's filing, 13 individuals and 12 companies have been charged as part of the Department's ongoing antitrust investigation into fraud and anticompetitive conduct in the E-Rate program. Six companies and three individuals have either pleaded guilty or have entered into civil settlements. Thus far, the defendants have agreed to pay criminal fines and restitution totaling more than \$40 million. Two of the individuals have each been sentenced to serve six years in prison.

The E-Rate program provides funding for Internet access and other telecommunications services to economically disadvantaged schools and libraries. Under the E-Rate program, which

was created by Congress in the Telecommunications Act of 1996, schools apply for monies for networking infrastructure, communications equipment, and monthly connectivity service fees.

The fraud conspiracy charge, a violation of 18 U.S.C. § 371, carries a maximum penalty of five years in prison and/or a \$250,000 fine for individuals or \$500,000 for corporations. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

The federal program fraud charges, a violation of 18 U.S.C. § 666, carry a maximum penalty of 10 years in prison and/or a \$250,000 fine for individuals per count. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

The mail and wire fraud charges, a violation of 18 U.S.C. §§ 1341, 1343, & 1346, carry a maximum penalty of five years in prison for violations committed before July 30, 2002, or 20 years for violations committed on or after that date, and/or a \$250,000 fine for individuals or \$500,000 for corporations per count. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

The bank fraud charge, a violation of 18 U.S.C. § 1344, carries a maximum penalty of 30 years in prison and/or a \$1 million fine.

The money laundering conspiracy charge, a violation of 18 U.S.C. § 1956(h), carries a maximum penalty of 20 years in prison and a fine of not more than \$500,000 or twice the value of the property involved in the transaction, whichever is greater, or both. The indictment also seeks forfeiture on all counts of property involved in or derived directly or indirectly from the alleged offenses.

The investigation is being conducted jointly by the Antitrust Division's Cleveland Field Office and the Detroit office of the Federal Bureau of Investigation. Anyone with information concerning fraud or anti-competitive conduct should contact the Cleveland Field Office of the Antitrust Division at (216) 522-4070.

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